

**Senate Finance Committee
Investment of State Funds
Interim Hearing**

**Porter Wilson, Executive Director
Employees Retirement System of Texas
February 25, 2020**



ERS Pension Overview

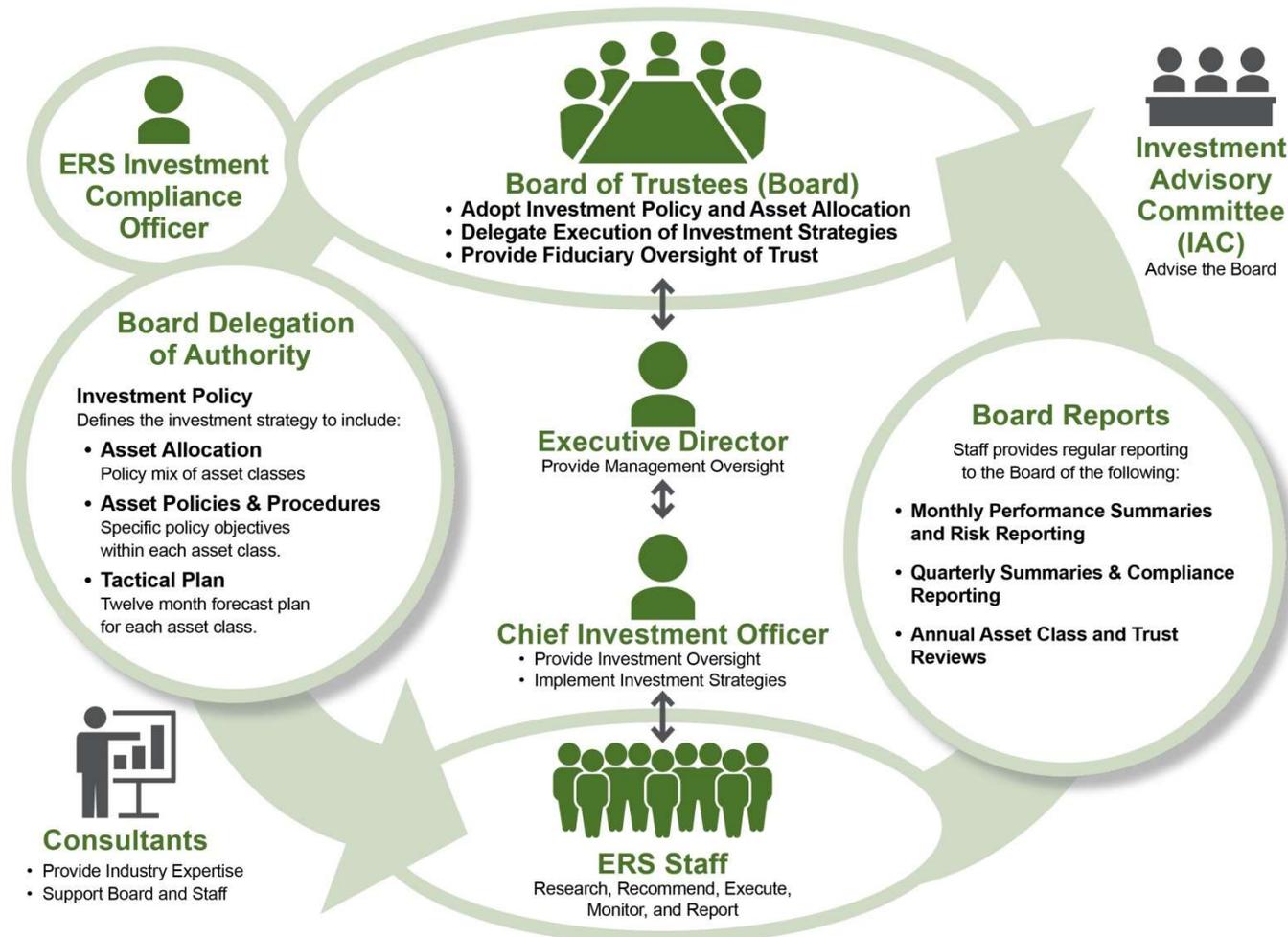


- The State of Texas is the plan sponsor responsible for setting retirement benefit levels and funding strategy for the pension plans established for your 258,075 state employees and retirees
- ERS manages the constitutional trust funds that provide retirement benefits to state employees, law enforcement/correctional officers and judges
- ERS is governed by a six member Board of Trustees
 - Three state employees elected from ERS membership
 - Members appointed by the Governor, the Chief Justice of the Supreme Court and the Speaker of the Texas House of Representatives

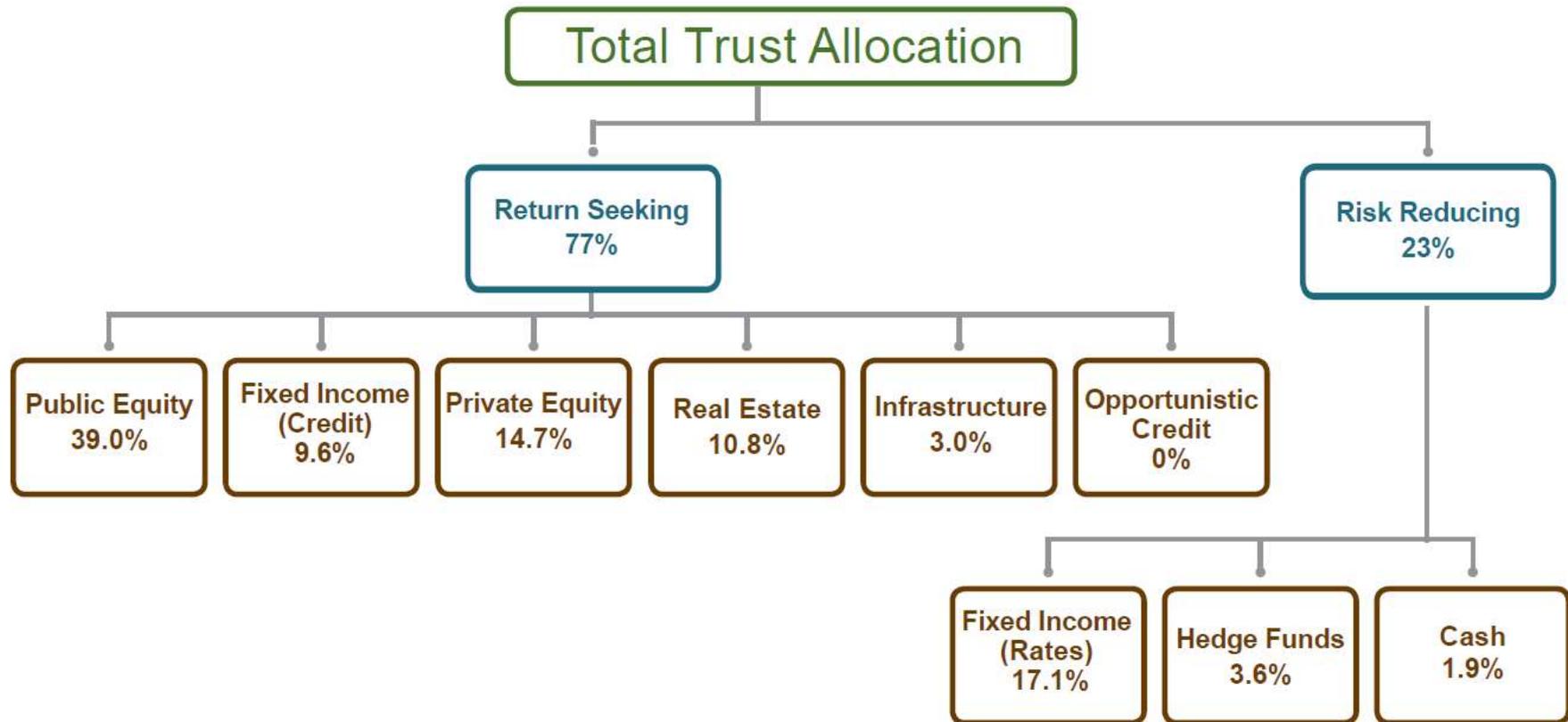
ERS Investment Governance



Investment Governance Structure



Asset Allocation as set by Board of Trustees



Fund Performance



ERS Investment Performance Fiscal Year Reporting			
	1-Year	3-Year	10-Year
Annualized Return (Gross)	3.04%	8.19%	8.20%
Annualized Return (Net of Fees)	3.00%	8.15%	8.09%

as of August 31, 2019

Investment Fees



Fiscal Year 2019

Trust Fund Valuation	\$28.8 billion	
		% of Total Trust
Management and Advisory Fees	\$119 million	0.4%
Performance Based Fees / Profit Share	\$59 million	0.2%

as of August 31, 2019

Best Practices



- Board regularly reviews asset allocation, investment policies, performance, expenses, risk profile and asset class tactical plans
- Board recently performed comprehensive review and update of Investment Policy
- Investment Advisory Committee of external professionals
 - Diverse asset portfolio management skills and knowledge
 - Average of 34 years of professional investment experience
 - Participate on internal investment committees
- Dedicated Investment Compliance Officer
- In-house fee validation and recalculation programs to ensure investment fees and profit share are calculated according to the agreed upon terms